

114TH CONGRESS
1ST SESSION

H. R. 3634

To establish student loan borrowers' rights to basic consumer protections, reasonable and flexible repayment options, access to earned credentials, and effective loan cancellation in exchange for public service, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 2015

Ms. WILSON of Florida introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Ways and Means, the Judiciary, and Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish student loan borrowers' rights to basic consumer protections, reasonable and flexible repayment options, access to earned credentials, and effective loan cancellation in exchange for public service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Student Loan Debt
5 Protection Act of 2015".

1 **TITLE I—BORROWERS’ RIGHT TO**
2 **BASIC CONSUMER PROTEC-**
3 **TIONS**

4 **SEC. 101. DISCHARGEABILITY OF STUDENT LOANS IN**
5 **BANKRUPTCY CASES.**

6 Section 523(a) of title 11 of the United States Code
7 is amended—

8 (1) by striking paragraph (8); and

9 (2) by redesignating paragraphs (9) through
10 (19) as paragraphs (8) through (18).

11 **SEC. 102. REINSTATEMENT OF THE 6-YEAR STATUTE OF**
12 **LIMITATIONS FOR STUDENT LOANS.**

13 Subsection (a) of section 484A of the Higher Edu-
14 cation Act of 1965 (20 U.S.C. 1091a(a)) is amended to
15 read as follows:

16 “(a) **STATUTE OF LIMITATIONS.**—Notwithstanding
17 any Federal or State statutory, regulatory, or administra-
18 tive limitation on the period within which debts may be
19 enforced—

20 “(1) an institution that receives funds under
21 this title may file a suit or initiate or take another
22 action for collection of a refund due from a student
23 on a grant made, or work assistance awarded, under
24 this title, during the 6-year period beginning on the
25 day after the refund first became due (exclusive of

1 period during which the State statute of limitations
2 otherwise applicable to a suit under this paragraph
3 would be tolled under State law);

4 “(2) a guaranty agency that has an agreement
5 with the Secretary under section 428(c) may file a
6 suit or initiate or take another action for collection
7 of the amount due from a borrower on a loan made
8 under part B during the 6-year period beginning on
9 the day after such guaranty agency reimburses the
10 previous holder of the loan for its loss on account of
11 the default of the borrower (exclusive of period dur-
12 ing which the State statute of limitations otherwise
13 applicable to a suit under this paragraph would be
14 tolled under State law);

15 “(3) an institution that has an agreement with
16 the Secretary pursuant to section 487 may file a suit
17 or initiate or take another action for collection of the
18 amount due from a borrower on a loan made under
19 part D or E after the default of the borrower on
20 such loan during the 6-year period beginning on the
21 day after the date of the default of the borrower
22 with respect to such amount (exclusive of period
23 during which the State statute of limitations other-
24 wise applicable to a suit under this paragraph would
25 be tolled under State law); or

1 “(4) the Secretary, the Attorney General, or the
2 administrative head of another Federal agency, as
3 the case may be, may file a suit or initiate or take
4 another action for collection of a refund due from a
5 student on a grant made under this title, or for the
6 repayment of the amount due from a borrower on a
7 loan made under this title that has been assigned to
8 the Secretary under this title, during the 6-year pe-
9 riod beginning on the day after the refund or the
10 amount first became due.”.

11 **SEC. 103. PROHIBITION OF COLLECTION OF STUDENT**
12 **LOANS THROUGH CERTAIN OFFSETS OR**
13 **THROUGH WAGE GARNISHMENT.**

14 (a) PROHIBITION ON OFFSET OF SOCIAL SECURITY
15 BENEFITS.—Section 3716(c)(3)(A) of title 31, United
16 States Code, is amended—

17 (1) in clause (i), by striking “except as provided
18 in clause (ii)” and inserting “except as provided in
19 clauses (ii) and (iii)”; and

20 (2) by adding at the end the following new
21 clause:

22 “(iii) Notwithstanding clause (i), any payments due
23 to an individual under Federal benefits programs cited
24 under clause (i) shall not be subject to offset under this
25 subsection if the offset is for payments certified by the

1 Department of Education under a program administered
2 by the Secretary of Education under title IV of the Higher
3 Education Act of 1965 (20 U.S.C. 1070 et seq.).”.

4 (b) PROHIBITION ON OFFSET OF TAX REFUND.—
5 Section 3720A(a) of title 31, United States Code, is
6 amended—

7 (1) by striking “Any Federal agency” and in-
8 serting “(1) Except as provided in paragraph (2),
9 any Federal agency”; and

10 (2) by adding at the end the following new
11 paragraph:

12 “(2) Any past-due legally enforceable debt owed by
13 an individual to the Department of Education under a
14 program administered by the Secretary of Education
15 under title IV of the Higher Education Act of 1965 (20
16 U.S.C. 1070 et seq.) shall not be subject to notification
17 under paragraph (1), and any refund of Federal taxes
18 paid by the individual shall not be subject to reduction
19 under subsection (c) for such debt.”.

20 (c) PROHIBITION ON WAGE GARNISHMENT.—Section
21 3720D(a) of title 31, United States Code, is amended—

22 (1) by striking “Notwithstanding” and insert-
23 ing: “(1) Except as provided in paragraph (2) and
24 notwithstanding”; and

1 (2) by adding at the end the following new
2 paragraph:

3 “(2) Any delinquent nontax debt owed by an indi-
4 vidual to the Department of Education under a program
5 administered by the Secretary of Education under title IV
6 of the Higher Education Act of 1965 (20 U.S.C. 1070
7 et seq.) shall not be subject to collection under this section
8 through garnishment of disposable pay of the individual.”.

9 **TITLE II—BORROWER’S RIGHT**
10 **TO REASONABLE AND FLEXI-**
11 **BLE REPAYMENT OPTIONS**

12 **SEC. 201. EXCLUSION FROM GROSS INCOME FOR DIS-**
13 **CHARGE OF STUDENT LOAN INDEBTEDNESS.**

14 (a) IN GENERAL.—Paragraph (1) of section 108(f)
15 of the Internal Revenue Code of 1986 is amended by strik-
16 ing “if such discharge” and all that follows and inserting
17 a period.

18 (b) STUDENT LOANS.—Paragraph (2) of section
19 108(f) of such Code is amended by striking “made by—
20 ” and all that follows and inserting the following: “. Such
21 term includes indebtedness used to refinance indebtedness
22 which qualifies as a student loan under the preceding sen-
23 tence.”.

24 (c) CONFORMING AMENDMENTS.—Section 108(f) of
25 such Code is amended by striking paragraphs (3) and (4).

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to discharges of indebtedness after
3 the date of the enactment of this Act.

4 **SEC. 202. 529 PLAN DISTRIBUTION FOR STUDENT LOAN**
5 **PAYMENTS.**

6 (a) IN GENERAL.—Subparagraph (A) of section
7 529(e)(3) of the Internal Revenue Code of 1986 is amend-
8 ed by striking clause (iii) and inserting the following new
9 clause:

10 “(iii) interest or principal paid with
11 respect to a qualified education loan (as
12 defined in section 221) with respect to a
13 designated beneficiary.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 529(e)(3)(A) of such Code is
16 amended by striking the second sentence.

17 (2) Section 72(t)(7)(A) of such Code is amend-
18 ed by inserting “determined without regard to sub-
19 paragraph (A)(iii) thereof” after “section
20 529(e)(3)”.

21 (3) Section 530(b)(2)(A)(i) of such Code is
22 amended by inserting “determined without regard to
23 subparagraph (A)(iii) thereof” after “section
24 529(e)(3)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to distributions made after the
3 date of the enactment of this Act.

4 **SEC. 203. INCLUSION OF PARENT PLUS LOANS IN REPAY-**
5 **MENT PROGRAMS.**

6 (a) INCOME CONTINGENT REPAYMENT PLAN.—Sec-
7 tion 455(d)(1)(D) of the Higher Education Act of 1965
8 (20 U.S.C. 1087e(d)(1)(D)) is amended by striking “, ex-
9 cept that the plan described in this subparagraph shall
10 not be available to the borrower of a Federal Direct PLUS
11 loan made on behalf of a dependent student;”.

12 (b) INCOME-BASED REPAYMENT.—

13 (1) SECTION 493C.—Section 493C of the High-
14 er Education Act of 1965 (20 U.S.C. 1098e) is
15 amended—

16 (A) in subsection (a)—

17 (i) by striking “this section” and all
18 that follows through “hardship” and in-
19 serting “In this section, the term ‘partial
20 financial hardship’”; and

21 (ii) by striking “(other than an ex-
22 cepted PLUS loan or excepted consolida-
23 tion loan)”; and

24 (B) in subsection (b)—

1 (i) in paragraph (1), by striking
2 “(other than an excepted PLUS loan or
3 excepted consolidation loan)”; and

4 (ii) in paragraph (6)(A), by striking
5 “(other than an excepted PLUS loan or
6 excepted consolidation loan)”; and

7 (C) in subsection (e), by striking “(other
8 than an excepted PLUS loan or excepted con-
9 solidation loan),”.

10 (2) SECTION 455(d)(1)(E).—Section
11 455(d)(1)(E) of such Act (20 U.S.C.
12 1087e(d)(1)(D)) is amended by striking “, except
13 that the plan described in this subparagraph shall
14 not be available to the borrower of a Federal Direct
15 PLUS Loan made on behalf of a dependent student
16 or a Federal Direct Consolidation Loan, if the pro-
17 ceeds of such loan were used to discharge the liabil-
18 ity on such Federal Direct PLUS Loan or a loan
19 under section 428B made on behalf of a dependent
20 student”.

21 (c) PAY AS YOU EARN.—The income-contingent re-
22 payment plan (based on the President’s “Pay As You
23 Earn” repayment initiative) implemented in parts 674,
24 682, and 685 of title 34, Code of Federal Regulations,
25 as amended by the final regulations published by the De-

1 partment of Education in the Federal Register on Novem-
2 ber 1, 2012 (77 Fed. Reg. 66088 et seq.), shall be avail-
3 able to borrowers of—

4 (1) a Federal Direct PLUS loan made on be-
5 half of a dependent student; and

6 (2) a Federal Direct Consolidation Loan, the
7 proceeds of which were used to discharge the liabil-
8 ity on a Federal Direct PLUS Loan under part D
9 of title IV of the Higher Education Act of 1965 or
10 a loan under section 428B of such Act made, in-
11 sured, or guaranteed on behalf of a dependent stu-
12 dent.

13 (d) LOAN FORGIVENESS FOR SERVICE IN AREAS OF
14 NATIONAL NEED.—Section 428K(a)(2) of such Act (20
15 U.S.C. 1078–11(a)(2)) is amended—

16 (1) in subparagraph (A), by striking “(other
17 than an excepted PLUS loan or an excepted consoli-
18 dation loan (as such terms are defined in section
19 493C(a))”); and

20 (2) in subparagraph (B), by striking “(other
21 than an excepted PLUS loan or an excepted consoli-
22 dation loan)”.

23 (e) OTHER REPAYMENT PLANS.—Any plan for the
24 repayment of loans made under title IV of the Higher
25 Education Act of 1965 (20 U.S.C. 1070 et seq.), which

1 is finalized by the Secretary of Education on or after the
2 date of enactment of this Act, shall include the repayment
3 of a loan under section 428B of the Higher Education
4 Act of 1965, or a Federal Direct PLUS Loan under part
5 D of title IV of such Act, that is made, insured, or guaran-
6 teed on behalf of a dependent student.

7 **TITLE III—BORROWERS’ RIGHT**
8 **TO A MEANINGFUL DEGREE**

9 **SEC. 301. PROHIBITION ON SUSPENSIONS OF PROFES-**
10 **SIONAL LICENSES FOR LOAN DEFAULT.**

11 No evidence of an individual’s default on the repay-
12 ment of a loan made, insured, or guaranteed under title
13 IV of the Higher Education Act of 1965 (20 U.S.C. 1070
14 et seq.) may be admitted into evidence in a Federal or
15 State proceeding involving the individual’s professional or
16 vocational license.

17 **SEC. 302. PROHIBITION ON LOSS OF ACCESS TO TRAN-**
18 **SCRIPTS FOR LOAN DEFAULT.**

19 Section 487(a) of the Higher Education Act of 1965
20 (20 U.S.C. 1094(a)) (as amended by section 301) is fur-
21 ther amended by adding at the end the following new para-
22 graph:

23 “(31)(A) The institution will not prohibit a stu-
24 dent from accessing the student’s transcripts, degree
25 scrolls, or other certifications of coursework or edu-

1 cational attainments at the institution because the
 2 student is in default on the repayment of a loan
 3 made, insured, or guaranteed under this title.

4 “(B) For purposes of this paragraph, the term
 5 ‘student’ includes former students.”.

6 **TITLE IV—RIGHT TO EFFECTIVE**
 7 **LOAN CANCELLATION FOR**
 8 **BORROWERS ENGAGED IN**
 9 **PUBLIC SERVICE CAREERS**

10 **SEC. 401. EXTENSION OF LOAN CANCELLATION FOR BOR-**
 11 **ROWERS EMPLOYED IN PUBLIC SERVICE**
 12 **JOBS FOR 5 YEARS.**

13 Section 455(m) of the Higher Education Act of 1965
 14 (20 U.S.C. 1087e(m)) is amended—

15 (1) by redesignating paragraphs (3) and (4) as
 16 paragraphs (4) and (5), respectively; and

17 (2) by inserting after paragraph (2), the fol-
 18 lowing:

19 “(3) **ADDITIONAL LOAN CANCELLATION FOR**
 20 **CERTAIN BORROWERS.—**

21 “(A) **IN GENERAL.—**The Secretary shall—

22 “(i) after the conclusion of the em-
 23 ployment period described in subparagraph
 24 (B)(ii) for an eligible borrower, cancel the
 25 obligation to repay 10 percent of the bal-

1 ance of interest and principal due, as of
2 the time of such cancellation, on the eligi-
3 ble Federal Direct Loans made to the bor-
4 rower under this part; and

5 “(ii) after the loan cancellation under
6 clause (i), carry out such loan cancellation
7 for each year in which the borrower makes
8 12 monthly payments on the eligible Fed-
9 eral Direct Loans pursuant to any one or
10 a combination of the repayment plans de-
11 scribed in subclauses (I) through (IV) of
12 subparagraph (B)(i) and is employed in a
13 public service job during the period in
14 which the borrower makes each of such
15 payments, except that once the borrower is
16 eligible for the loan cancellation under
17 paragraph (2) the Secretary shall carry out
18 the loan cancellation under paragraph (2)
19 in lieu of the loan cancellation under this
20 clause.

21 “(B) ELIGIBLE BORROWER.—In this para-
22 graph, an eligible borrower is a borrower who—

23 “(i) has made 60 monthly payments
24 on the eligible Federal Direct Loan after

1 October 1, 2015, pursuant to any one or a
2 combination of the following—

3 “(I) payments under an income-
4 based repayment plan under section
5 493C;

6 “(II) payments under a standard
7 repayment plan under subsection
8 (d)(1)(A), based on a 10-year repay-
9 ment period;

10 “(III) monthly payments under a
11 repayment plan under subsection
12 (d)(1) or (g) of not less than the
13 monthly amount calculated under sub-
14 section (d)(1)(A), based on a 10-year
15 repayment period; or

16 “(IV) payments under an income
17 contingent repayment plan under sub-
18 section (d)(1)(D); and

19 “(ii) has been employed in a public
20 service job during the period in which the
21 borrower makes each of the 60 payments
22 described in clause (i).”.

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